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IV Semester B.Com. Degree Examination, April/May 2019

(Credit Based Semester Scheme)

(Common to all Batches)

COMMERCE

Business Taxation - II (Elective)

Time : 3 Hours]

[Max. Marks : 80

Instructions : Show working notes wherever necessary.

SECTION - A

Answer **any four** questions :

(4 × 4 = 16)

1. Write short notes on "Less-tax" securities and "Tax free" securities.
2. Explain deductions permissible U/S 24 (1) (i) from annual value of house property.
3. From the following particulars of income of Mr. X compute his income from other sources :
 - (a) 10% ₹ 18,000 tax free debentures of a steel company.
 - (b) ₹ 20,000 units of UTI (Dividend received ₹ 5,000)
 - (c) Gift from foreign friend on the occasion of wedding anniversary ₹ 50,000.
 - (d) Winning from lottery ₹ 3,50,000 (net)
4. How do you treat the following items under the head business income?
 - (a) Brokerage paid for raising loan for business
 - (b) Interest paid for funds borrowed specifically for acquisition of a capital asset
 - (c) Gratuity paid to an employee as a special case
 - (d) Legal expenses incurred for curing any defect in the title to goods.

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5. From the following information compute depreciation allowable :

W.D.V. of furniture on 1.4. p.y. - ₹ 3,00,000

Furniture purchased in May p.y. - ₹ 40,000

Furniture purchased in Feb. of p.y. - 60,000

Part of furniture sold in Feb of p.y. - 5,000

Rate of depreciation 10%.

6. Determine the gross annual value of each of the following house properties :

Particulars	House A	House B	House C	House D
	₹	₹	₹	₹
Municipal value	20,000	24,000	28,000	30,000
Fair rent	24,000	26,000	30,000	24,000
Standard rent	-	30,000	24,000	40,000
Monthly rent	3,000	3,600	4,000	2,800
Vacancy (month)	1	2	7	6

SECTION - B

Answer **any four** questions :

(4 × 8 = 32)

7. Distinguish between long term capital gains and short term capital gains.

8. Mr. Ajay sold the following assets during the previous year as under :

(a) Jewellery costing ₹ 80,000 which was acquired in June 2015 was sold for ₹ 1,00,000 in May 2017.

(b) House at Kolkatta let out for residential purposes. It was inherited by him in 1994. Sale price as on 31.10.2017 ₹ 25,50,000. Fair market value on 1.4.2001 ₹ 1,00,000.

Cost of improvement made during 1989-90 ₹ 25,000. Expenses on transfer ₹ 25,000.

(c) Household furniture costing ₹ 14,000 in October 2017 was sold for ₹ 20,000 in March 2018.



- (d) Car was sold on 1.12.2017 for ₹ 1,40,000, Its written down value on 1.4.2017 was ₹ 3,80,000.
- (e) Agricultural land in Mangalore was sold for ₹ 25,25,000 in July 2017. It had cost him ₹ 85,000 in December 2001. He purchased agricultural land for ₹ 3,20,000 in January 2018.

Compute his taxable capital gains :

CII - 2001-02 : 100, 2015-16 : 254 2017-18 : 272.

- 9. What is grossing up of interest? State the rules for grossing up of interest.
- 10. Ms. Namratha gives the following information from which compute the income from other sources :
 - (a) Received ₹ 9,000 as interest on debentures of Reliance Co.
 - (b) Dividend received from co-operative society ₹ 8,500
 - (c) Purchased 10% ₹ 1,80,000 as tax-free debentures of Tata Steel Ltd. on 10.10.2018
 - (d) Invested ₹ 50,000 in 10% U.P. Govt bonds on 1.06.2018
 - (e) Received ₹ 63,000 from Maharashtra state lottery
 - (f) Interest received on POSB a/c ₹ 6,500
 - (g) Dividend received ₹ 5,000 on shares of Wipro Ltd.
 - (h) Invested in the bonds of Konkan Railway Corporation ₹ 90,000 at 10% on 1.11.2018

Interest on all securities becomes due on 30th June and 31st December. She incurred ₹ 100 as collection charges on interest.

- 11. Dr. Kiran is a registered medical practitioner. From the following income and expenditure account for the year ending 31st March 2018. Prepare a statement showing his income from profession :



Income and Expenditure A/c

	₹		₹
Household expenses	20,000	Consultation fees	10,000
Car purchased	30,000	Visiting fees	20,000
Travelling expenses (personal)	4,000	Race winnings (gross)	10,000
Charity and donation	1,000	Share proceeds of an	
24,000 Income tax	2,000	ancestral house	24,000
Salaries	8,000	Profit on sale of shares	6,000
Gift to daughter	7,000	Dividend on shares	5,000
Establishment expenses	1,000	Interest on POSB a/c	6,000
Surgical equipment	4,000	Presents from patients	2,000
Books	1,200	Bad debts recovered	
Life insurance premium	2,000	(not allowed earlier)	2,600
Wealth tax	1,000	Interest on fixed deposits	5,300
Interest on capital	1,000		
Surplus	8,700		
	90,900		90,900

Rate of depreciation allowable on car and surgical equipments is 15% and on books 40%.

12. Compute the amount of depreciation from the following particulars :

Assets	W.D.V. as on 1-4	Rate
Office building	13,00,000	10%
Office furniture	3,00,000	10%
Typewriters	2,00,000	15%
Computers	8,00,000	40%

Purchased new computers for ₹ 3,00,000 on 31-12 of p.y.

Sold office building for ₹ 30,00,000 and purchased a new building for ₹ 60,00,000 on 1-2 of p.y.

Purchased books for professional use ₹ 1,00,000 (out of this ₹ 30,000 worth are annual publication)

Purchased office furniture for ₹ 1,20,000 on 10th Feb. of p.y.



SECTION - C

Answer any two questions :

(2 × 16 = 32)

13. What do you mean by cost of acquisition? Explain the provisions governing the determination of cost of acquisition.
14. Mr. Balu has five houses, the municipal valuation per annum of which are ₹ 20,000, 16,000, 12,000, 8,000 and 12,000 respectively. He lives in the first house. In the second house he runs his business. The other houses are let out for ₹ 800, ₹ 700 and 1,200 p.m. respectively. One-third portion of the third house is also used by him for his residential purpose and the rent of ₹ 800 p.m. was received for the remaining two third portion.

A loan of ₹ 3,00,000 was taken at 10% p.a. for the construction of 5th house which began on 1.6.2014 and completed on 31.01.2017. For the previous year the interest paid by him amounted to ₹ 20,000. 5th house was vacant for 2 months. Municipal taxes assessed and paid at 10% of the municipal valuation.

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During the year he recovered un-realised rent of ₹ 5,000 which was claimed as deduction in 2016-17. Compute his income from house property.

15. From the following profit and loss account of a business ascertain the taxable profit from business and the gross total income :

	₹		₹
Office salaries	10,000	Gross profit	2,57,320
Proprietary salary	5,000	Capital gain on sale of residential house	25,000
Interest on proprietors capital	2,000	Interest on Govt. securities	4,500
General expenses	5,000	Dividends (gross)	3,200
Bad debts	2,000	Interest from post office savings bank a/c	2,000
Advertisements	4,500		
Fire insurance premium	2,000		
Depreciation	4,000		
Reserve for future losses	10,000		
Income tax on last assessment	4,000		
Advance income tax paid	2,000		
Donation to Mysore University	1,000		
Legal charges for defending suit for alleged breach of a trading contract	500		
Motor car expenses	1,000		
Net profit.	2,39,020		
	2,92,020		2,92,020



General expenses include ₹ 1,000 paid as compensation to an old employee whose services were terminated as his continuance in service was considered detrimental to the profitable conduct of the company's business and ₹ 2,000 by way of help to a poor college student. The depreciation is found to be in excess by ₹ 1,800. The advertisement cost includes calendars and diaries ₹ 1,500. Motor-car expenses include ₹ 500 as motor car expenses for private use. The assessee has received demand notices of sales tax for earlier years amounting to ₹ 10,000 and has not disputed the liability reserve for future losses is meant for this liability.

16. Mr. Vikranth has the following investments and incomes in the previous year :

- (a) ₹ 20,000 10% central Govt securities
- (b) ₹ 36,000, 12% tax free commercial securities
- (c) ₹ 40,000, 12% debentures of Bata industries
- (d) ₹ 25,000, 13.5% debentures of Bhakta chemicals
- (e) ₹ 30,000 in POSB a/c which earns interest at 6%
- (f) ₹ 40,000 units of UTI (dividend received ₹ 3,000)
- (g) ₹ 9,000 as interest received on debentures of a local authority
- (h) ₹ 8,000 as interest received on Karnataka Govt bonds
- (i) ₹ 12,000 interest on tax free Govt of India bonds
- (j) ₹ 5,000 dividend received from a co-operative society
- (k) Interest on deposits under National Deposit Scheme ₹ 10,000.

On 1st August, he sold debentures of Bata Ltd. at a profit of ₹ 3,000 and purchased ₹ 60,000, 9% Indian Railway bonds. For this purpose he borrowed ₹ 30,000 from his friend at 12% p.a. The bank commission for collecting the interest was ₹ 400 and for buying and selling the securities is ₹ 1,000. Interest is payable on 1st July and 1st January every year. Compute his income from other sources.

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